



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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CITY ATTORNEY FINDS MAYOR'S BLUE RIBBON COMMITTEE REPORT ON CITY OF SAN DIEGO FINANCES MISLED PUBLIC *CITY ATTORNEY AGUIRRE RELEASES FIRST INTERIM INVESTIGATIVE REPORT*

San Diego, CA: City Attorney Michael Aguirre today released evidence that the 2002 final report of the Mayor's Blue Ribbon Committee Report on City of San Diego Finances vastly understated the severity of the City's pension fund liability by 318% or \$215 million. At the time the report was issued, high-ranking officials in the City Auditor's Office, who also staffed the Committee, had the hardcore data.

"If accurate financial information had been provided to the Mayor's Blue Ribbon Committee regarding the true financial condition of the City, surely more prudent financial decisions would have been made by the City Council," said City Attorney Aguirre. "The City Attorney's Office has an obligation to determine how and why this information was handled in the way that it was," he added.

The findings are part of the City Attorney's first interim report related to his independent investigation into possible abuse, fraud and illegal acts by San Diego City officials and employees regarding the financial disclosure practices of the City. The investigation uncovered the following information:

- On February 27, 2002, the Mayor's Blue Ribbon Committee Report was presented to the City Council's Rules Committee and stated that the pension plan's funded ratio was 97% which represented an unfunded liability of \$68.95 million. However, a June 30, 2001 actuarial analysis of the pension fund pegged its funded ratio at 89.9% which represented a significantly higher unfunded liability of \$283.89 million.
- By June 30, 2002, the unfunded actuarial liability had crashed through the trigger floor (82.3%) reaching 77.3% and equaling a shortfall of \$720.7 million.
- High-ranking employees in the City Auditor's Office, who also staffed the Blue Ribbon Committee, were aware and had in their possession the June 30, 2001 actuarial analysis.

(MORE)

- A chart on page 22 of the Report summarizing the Retirement System's Financial Information for Fiscal Years 1996-2001 inexplicably states that the Unfunded Actuarial Accrued Liability figure for FY 2001 is "Not Available."
- In October 2001, the Assistant City Auditor sent an email to a Deputy City Manager raising a red flag that the retirement fund earnings had plummeted in 2001.
- On February 15, 2002, the June 30, 2001 actuarial analysis indicating the 89.9% or \$283.89 million was on the SDCERS Board's agenda for discussion.

The City Attorney will be issuing periodic reports on his investigation. After the investigation is completed, a decision will be made whether to refer any matters to the City Attorney's new Public Integrity Unit in the Criminal Division, headed by former San Diego United States Attorney Patrick O'Toole.

Background:

On December 9, 2004, three days after taking office, City Attorney Aguirre, a former securities fraud attorney in private practice, launched his independent investigation after numerous issues regarding employee misconduct were raised in the *Report on Investigation of the City of San Diego's Disclosures of Obligations to Fund the San Diego City Employees' Retirement System and Related Disclosure Practices 1996-2004*. The report was released on September 16, 2004 by Paul Maco, an attorney with the law firm of Vinson & Elkins. The law firm was hired by the City to represent it before the Securities & Exchange Commission.

The SEC is conducting a formal civil investigation of the City's financial and disclosure practices and has subpoenaed several City employees to provide documents related to this matter. In addition, the United States Attorney and the Federal Bureau of Investigation are also conducting their own criminal investigations on these and other matters.

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